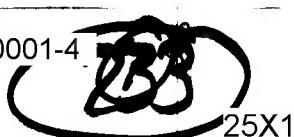


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7 October 1980

MEMORANDUM**SAUDI-US RELATIONS**

The destabilizing effect of the Iran-Iraq war in the Persian Gulf and the prompt American response to Saudi defense needs has temporarily put US-Saudi relations on a firmer footing. Saudi ambivalence toward the US, however, is likely to reemerge once the crisis recedes, much as it did after last year's Yemens crisis. A more lasting reversal

will occur only if the US displays greater responsiveness to Saudi arms demands and does nothing to discourage the Arab moderates and Europeans from seeking a different solution to the Palestinian problem than offered in the Camp David accords.

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The arms relationship takes on added importance now in the absence of progress on the Palestinian issue. The Saudis see arms as an appropriate means for the US to:

- express confidence in the Saudi regime;
- repay Saudi cooperation on oil;
- demonstrate its willingness to override Israeli objections on a matter of vital US and Saudi security interests.

This memorandum was prepared by [redacted] Arabian Peninsula Branch, Near East South Asia Division, Office of Political Analysis. Questions and comments may be addressed to Chief, Near East South Asia DIVision, [redacted]

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Having just increased production again, the Saudis may reason they have demonstrated once more that they are a far more valuable ally than the Israelis. [redacted]

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The Saudis will expect the US to see things as they do and to be more prepared to sell them the sophisticated weapons they want, especially the F-15 accessories. They will reason that the latest crisis has shown their need to be self-evident. Any training or equipment we offer with less prestige value will not have as strong and lasting a political impact. Moreover, US foot-dragging will be interpreted as giving Israel a veto power over US policy in the region. [redacted]

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In short, the tone of our relations over the next year will depend at minimum on our ability to appear responsive to Saudi security needs as they see them. If we fail, the Iran-Iraq war will not have driven Riyadh closer to the US. Instead, the Saudis will be driven to step up their efforts to diversify their arms suppliers and reduce their overall dependence on the US. Their purchase of naval equipment from France and efforts to obtain Pakistani forces to man two armored brigades are two recent examples of their efforts to hedge against overreliance on the US. [redacted]

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The Palestinian issue, meanwhile, will continue to bedevil our relations no matter what we do. At best, our responsiveness on arms will encourage the Saudis to soft-pedal their opposition to our peace efforts; it will not eliminate Saudi perception that Arab politics requires them to maintain some distance from the US as long as it so fully backs Israel. [redacted]

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Distribution:

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NFAC/OPA/NESA/API/ [redacted]

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